



ROTORUA
LAKES COUNCIL

TE TAUKĪ MAROHITANGA STATEMENT OF PROPOSAL

HE KAUPAPA HERE TĀPAE WHAKAMATO TUPU INTRODUCTION OF A DEVELOPMENT CONTRIBUTIONS POLICY

Kupu arataki Introduction

This statement of Proposal is prepared in line with Section 83, 83AA and 87 of the Local Government Act 2002 and contains the background and reason for the proposed introduction of a Development Contributions Policy, a number of proposals, a recommendation and ways to provide your feedback.

Te tāhuhu Background

As Rotorua grows, so does the need for reliable infrastructure to cater for this growth. It is Council's responsibility to ensure that these potential high costs of growth infrastructure are accounted for.

Rotorua Lakes Council had a previous Development Contributions Policy; this was adopted as part of its Long-term Plan in 2006. Following the Global Financial Crisis, the Rotorua economic environment was in a low to no growth phase resulting in revenue forecasts not being met and growth investments being deferred.

Development Contributions were perceived as a disincentive to growth in the Rotorua context and it was identified that a change was required to the way Development Contributions were implemented with the goal of contributing to a more enabling regulatory investment environment.

A clear indication was provided by Council that they were committed to doing what they could to enable investment in Rotorua and the removal of Development Contributions Policy was undertaken as a special consultative procedure as part of the Annual Plan 2014 process and development contributions were phased out over the 2014-15 financial year.

Over the last 5 years or so, due to a wide range of factors, Rotorua has become a destination city. Many people have decided to move out of major centres and raise families in a smaller community or choose a better work/life balance.

Rotorua has been one of those smaller destinations of choice. This has led to exponential growth needs across our city as referenced in the graph below. With this demand for growth, the infrastructure that caters for this growth needs to be created. This infrastructure needs to be timely and comes at a cost.

HE TATAURANGA NOHONGA HOU I TE TAU ROTORUA DISTRICT NEW DWELLINGS ROLLING | ANNUAL



Development contributions ensure that the developers are paying their fair share towards the growth related requirements of our district. This takes the burden off the ratepayers of our District and places it onto the creator of that demand. Legislatively, Council may require Development Contributions in line with the Local Government Act of 2002.

Development contributions are an integral part of Council's funding strategy specifically in regards to growth related capital expenditure.

Te matapaki me ngā kōwhiringa Discussion and options

Reasonably practicable options are presented below. These include:

1. Introduction of a Development Contributions Policy: Developers pay for growth
2. Ratepayers pay for growth

Te Marohitanga 1: Mā te kaiwhakaahu te nama whakatupu

Proposal 1: Developers pay for growth

A development contribution is a charge levied on new developments. Development, especially new development, creates a cost to the district (build and maintain new local roads, footpaths, wastewater, water, stormwater and open space). A development contribution places the cost of providing additional infrastructure capacity onto those creating the demand.

Development contributions are usually paid for residential developments (new house), non residential development (Commercial, Industrial, Retail), subdivisions and certain changes of land use.

The Local Government Act 2002 (LGA 2002) introduced the concept of Development Contributions (DC's) as an alternative source for Territorial Authorities to obtain funding for community infrastructure and public amenities.

DC's are an optional source of funding and throughout New Zealand DC's are an important part of the Local government funding toolkit.

The LGA 2002 outlines that a Territorial Authority may charge a DC when granting a resource consent, building consent, or an authorisation for a service connection.

The money collected from DC's is commonly used to fund capital expenditure on potable water, wastewater, and storm water systems, transport, and parks and reserves.

Charging developers for the cost of the growth they create reflects the fact that they will benefit directly from the development.

Ngā Piki - Advantages	Ngā Heke - Disadvantages
Growth is funded by those that are creating the additional demand	Can be seen as a disincentive to growth
Ratepayers do not have to pay for this growth infrastructure and this will have a positive effect on borrowings and rates	As growth is difficult to predict, the cost passed onto the developer may not accurately reflect the draw that the development has on Council services.

Te Marohitanga 2: Mā te kaiutu reiti te pūtea whakatupu

Proposal 2: Ratepayers pay for growth

This is the way that Council currently funds growth infrastructure costs. Council uses debt to pay for new projects and the cost of this debt (finance costs) are passed onto the ratepayers. Council uses this process to fund the majority of projects across the district. This method puts the costs of growth related infrastructure onto the entire ratepayer base and not onto the creator of that growth.

Ngā Piki - Advantages	Ngā Heke - Disadvantages
Could be seen to encourage growth as the cost of development is lower	The ratepayer is picking up the bill for growth infrastructure that might not affect them personally
Potential for lower development costs to be passed onto property buyers	Council's borrowing capacity could restrict the amount of capital investment required to meet the growth demand
	The creator of the growth is not proportionately paying their fair share of the growth costs.

Te Whakarāpopototanga Kōrero

Summary

Rotorua has a significant housing deficit. The infrastructure required to meet this demand will need to be timeous and it will cost a substantial amount. Council has two available options to fund these projects, namely that the developer should pay or that the ratepayer should pay, with the recommendation of preferred option given below.

Te Tūtohunga

Recommendation

“Proposal 1: Developers should pay for growth” is Council's preferred option. By implementing a Development Contributions Policy, growth projects could be less restrictive than proposal 2 and the creator of the demand for growth infrastructure is paying their fair share.

Te Āhua o tō whakapuaki whakaaro

How to have your Say

The draft policy will be available on Council's website, in the customer centre at Council's building (Haupapa Street) and at Te Aka Mauri – Rotorua Library.

This public consultation will be opened from 16 May to 16 June 2022. You have the ability to provide feedback on this draft policy proposal via a number of channels:



Go online to Let's Talk/Kōrero mai at rotorualakescouncil.nz/koreromai and provide feedback



Phone us on 0800 020 001 and provide verbal feedback